



Ontario Energy Board

ANNUAL REPORT 1997 - 1998

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and Technology**

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The Honorable Hilary M. Weston
Lieutenant Governor of the Province of Ontario

I hereby submit the annual report of the Ontario Energy Board. It reviews the events and activities of the fiscal year ending March 31, 1998.

Respectfully submitted,

Jim Wilson
Minister of Energy, Science and Technology

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Copies of the Annual Report in English and in French and other OEB publications may be obtained through the Board.

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MESSAGE FROM THE CHAIR

MOVING INTO A FUTURE OF CHANGE

I was honoured to be appointed Chair of the Ontario Energy Board in March 1998,

and welcome the challenge of leading the Board into a future of change. We live in exciting times for both the gas and electricity industries in Ontario, and for their customers. The provincial government is proposing to open up the electricity market to competition. Meanwhile, competitive forces have been gathering momentum in the natural gas market for over a decade. These developments create both opportunities and risks. In this dynamic environment the Board's regulatory responsibilities must and will change.

What will not change is the Board's traditional role of protecting the consumer and preserving the safe and reliable supply and delivery of

energy. The Ontario public can rest assured that consumer protection and system integrity will remain unswerving commitments of the Ontario Energy Board.

During 1997-98, the Board took a number of steps to put the consumer first. The gas utilities were directed to develop a Code of Conduct to govern their relationship with both affiliate and independent gas marketers. The interim Code approved by the Board is designed to create a level playing field among suppliers, and ensure that customers are properly informed about the new choices available in the marketplace.

This year the Board also proposed amendments to the legislation governing the gas sector that would empower the OEB to defend consumer interests during the transition to a more fully competitive market. One safeguard would be a requirement that gas utilities offer a standard supply option for consumers who prefer to purchase gas from the utility rather than from agents, brokers or marketers.

Consumer protection is the heart of the expanded role envisaged for the OEB in the provincial government's White Paper on electricity. Subject to legislative approval of the government's proposals, the Board will oversee the electricity marketplace and regulate the monopoly parts of the industry. The Board has observer status on the Market Design Committee that is planning the transition

Consumer protection is the heart of the expanded role envisaged for the OEB in the provincial government's White Paper on electricity.

to competition in electricity. Through this channel the Board has kept closely attuned to the emerging marketplace to prepare for the possibility of new regulatory responsibilities.

A further priority for the Board this year has been the streamlining of the regulatory process. An example is the portfolio approach adopted in the Board's *Guidelines for Assessing and Reporting on Natural Gas Distribution System Expansion in Ontario* issued in January 1998. The portfolio approach to planning will provide the utilities with more flexibility in determining which expansion projects to undertake, while the Board retains overall regulatory control.

In the same vein, the Board this year applied its *Draft Guidelines on a Formula-Based Return on Common Equity for Regulated Utilities* for the first time. The use of a generic model for calculating a fair rate of return is expected to simplify regulatory proceedings for the utilities and other stakeholders.

In the past year, the Board has been gearing up for changing roles through a major organizational restructuring. We have strengthened our regulatory policy-making capability to help shape the ground rules for the new marketplace, as well as putting in place a heightened level of compliance monitoring, auditing and enforcement to hold regulated utilities accountable in a complex environment. We have also consolidated our corporate services to provide the necessary administrative and logistical support. I am confident we are ready for whatever challenges the future may hold.

I would like to take this occasion to salute my predecessor as OEB Chair, Marie Rounding, who served in this post with distinction for six years. Under her direction the Board developed the capability and flexibility to respond effectively

to an evolving marketplace.

Ms. Rounding also made an exceptional contribution to the administrative justice community through leadership roles in national and provincial associations.

The energy sector touches every individual, family, business and public organization in the province. I am looking forward to working with everyone interested in bringing to Ontario the benefits of a competitive energy market while maintaining the historic commitment to safe, reliable and accessible energy services.



Floyd Laughren
Chair

BOARD MEMBERSHIP

(As of March 31, 1998)

CHAIR

Floyd Laughren joined the Ontario Energy Board as Chair in March 1998, leaving a 27-year career in provincial politics to take on the challenge of leading the Board. Mr. Laughren had been the longest-serving Member of the Legislative Assembly of Ontario as the MPP for Nickel Belt since 1971. His achievements include serving as Finance Minister and Deputy Premier in the Rae government, with responsibility for the former Ministries of Treasury and Economics, Revenue and Financial Institutions. He was also chair of the Policy and Priorities Board of Cabinet and sat on the Cabinet Subcommittee on Industrial Assistance. Prior to his election in 1971, Mr. Laughren taught economics at Cambrian College of Applied Arts and Technology in Sudbury and worked in the retail sector in western Canada. He has a business diploma from Ryerson Polytechnic University and a Bachelor of Arts in economics from York University.

VICE-CHAIR

Appointed Vice-Chair in June 1993, George A. Dominy has extensive experience in the energy field in both the private and public sectors. Prior to joining the Board, he served as Director — Electricity, Oil and Gas Branch at the former Ministry of Environment and Energy. Mr. Dominy holds a Master's degree in mathematics from Cambridge University.

MEMBERS

Edward J. Robertson became a Board Member in May 1992. Before joining the Board, he was Chairman of the Manitoba Public Utilities Board. He has extensive private sector experience in the United Kingdom, including service from 1972 to 1977 as a Director of the Confederation of British Industries in London, England. He entered the Ontario Public Service in 1977.

Having held positions in the gas industry and staff positions at the OEB, Paul Vlahos was appointed a Board Member in October 1994. Prior to his appointment as a Member, he served as General Manager at the Ontario Telephone Service Commission and taught at the University of New Brunswick. He holds a Master's degree in economics.

H. Gail Morrison, a lawyer, was appointed to the Board in March 1996. Ms. Morrison, who joined the Ontario Public Service in 1982, previously held various positions in the Office of the Ombudsman and was most recently Executive Co-ordinator with the Environmental Assessment Board. She holds Masters' degrees in law and physics.

Roger M.R. Higgin was appointed to the Board in September 1996. Prior to joining the Board, Dr. Higgin was General Manager and Chief Operating Officer of Unisearch Associates Inc. He held a number of senior positions in the former Ministries of the Environment and Energy, including Assistant Deputy Minister — Programs and Technology Division, and previously served as a member of the Ontario Energy Board from 1988 to 1991. Dr. Higgin holds a doctorate in chemical engineering and a Master of Business Administration.

Judith B. Simon, an environmental scientist, was appointed a part-time Board Member in May 1992. She previously held managerial positions with the Ministries of Industry, Trade and Technology and of the Environment, and was an energy planner with the former Ministry of Energy. She is currently a consultant specializing in environmental assessment and strategic planning.

F. Anne Drozd is a fellow of the Institute of Chartered Accountants of Ontario. She is President of ACHOS, a management consulting firm. Ms. Drozd has practiced as a Certified Management Consultant since 1982 and has extensive experience in the regulatory environment. She was appointed a part-time Board Member in April 1993.

Christine Elwell, a lawyer, joined the Board as a part-time Member in April 1995. She holds a Master of Laws degree from the London School of Economics and Political Science. Ms. Elwell has previously worked in the petrochemical and nuclear industries in both Alberta and Ontario, in labour relations and environmental policy, and is currently an Adjunct Professor of Law at Queen's University.

Sally F. Zerker was appointed a part-time Board Member in June 1997. She holds a Ph.D. in economics from the University of Toronto and has been a professor at York University in Toronto since 1970. Ms. Zerker has lectured and published articles about the international oil industry.

Terms Ending in 1997-98

Marie C. Rounding completed her term as Chair of the Ontario Energy Board in February 1998, having served in that post since January 1992. A lawyer and former teacher, Ms. Rounding has held a number of senior positions with the Ontario Ministry of the Attorney General, with a focus on administrative and regulatory law. During her term Ms. Rounding was active in the administrative justice community through several federal and provincial associations.

Pamela W. Hardie left the Board in April 1997 after nearly seven years of service. A lawyer, she joined the Board in July 1990 and was formerly with the Ontario Securities Commission and the Office of the Ombudsman.

The Ontario Energy Board would like to thank both of these individuals for their service to the Board.

OEB ROLES AND RESPONSIBILITIES

Rates must be just and reasonable for both consumers and shareholders.

The Ontario Energy Board (OEB) is a regulatory tribunal of the Ontario Government, reporting to the Minister of Energy, Science and Technology.* As an arm's length agency, the Board functions independently from the government.

The *Ontario Energy Board Act* establishes most of the Board's responsibilities. In addition, the *Municipal Franchises Act*, the *Petroleum Resources Act*, the *Public Utilities Act*, the *Assessment Act* and the *Toronto District Heating Corporation Act* give jurisdiction to the Board.

SETTING NATURAL GAS RATES

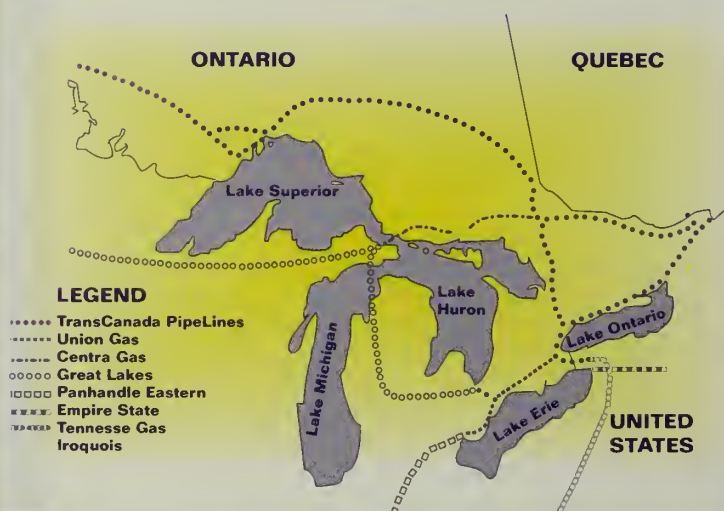
The Board regulates Ontario's natural gas utilities, which are required by legislation to submit the rates they propose to charge their customers to the OEB for review and approval. The Board establishes rates for each natural gas utility following a public hearing. The rates cover the commodity cost of gas, passed through to the customer without mark-up, as well as the transportation costs to Ontario and the distribution and operating costs of the local utility.

Where users purchase gas directly from producers or marketers, the OEB controls the rates that the utilities may charge for transporting, storing and distributing the gas in Ontario. The Board also establishes the price that the utility pays for gas under **buy-sell** arrangements in which, typically, a broker purchases gas on behalf of Ontario consumers from producers in western Canada and sells it to the utility for delivery to the burner tip.

To determine rates, the Board first establishes the company's **rate base**, that is, the amount invested in assets dedicated to service. The Board also determines the rate of return that investors should have the opportunity to earn, and the revenue required by the utility to pay its expenses and make the allowed return. Finally, the Board decides the fair share of the total cost of providing service to be borne by each customer class — residential, industrial and commercial.

In setting rates, the Board endeavours to strike a fair balance between the prices paid by customers and the rate of return shareholders of the utilities are allowed to earn on their investment. Rates must be just and reasonable for both consumers and shareholders.

Ontario's Gas Pipeline System



* In October 1997, provincial energy responsibilities were transferred from the former Ministry of Environment and Energy to the new Ministry of Energy, Science and Technology.

REVIEWING HYDRO RATE PROPOSALS

Ontario Hydro is required by law to submit any proposed change in its bulk power rates to the Minister of Energy, Science and Technology, who then refers the proposal to the Board. Bulk power rates are the wholesale rates that Hydro charges municipal utilities and direct industrial customers.

After a public hearing, the OEB submits its Report with recommendations to the Minister. The Board's role is an advisory one and its recommendations are not binding on Hydro.

REFERENCES AND GENERIC HEARINGS

The Lieutenant Governor in Council (LGIC), the Minister of Energy, Science and Technology or the Minister of Natural Resources may refer a matter to the Board for a public hearing and report. The OEB's Reports are normally advisory in nature. The Board may also hold generic hearings on its own initiative on matters under its jurisdiction.

PIPELINE CONSTRUCTION

OEB approval is required to construct a natural gas transmission line in Ontario. Such projects generally involve large-diameter, high-pressure pipelines with substantial capital costs and environmental implications. The Board assesses whether the proposed construction is in the public interest by considering need, safety, economic feasibility, community benefits, security of supply and environmental impact. The OEB's Environmental Guidelines set out the Board's expectations for locating, constructing, and operating pipelines in Ontario.

Before a formal application is filed with the Board, a pipeline construction proposal is reviewed by the Ontario Pipeline Co-ordination Committee (OPCC).

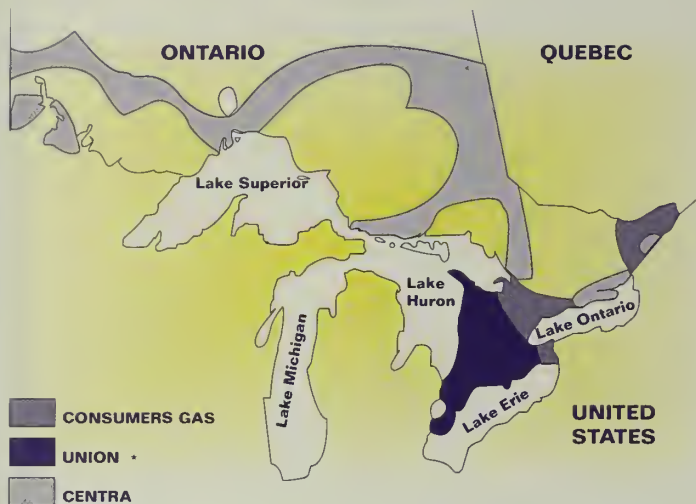
Chaired by an OEB staff member, the OPCC represents various provincial ministries who together consider the environmental and safety aspects of pipeline construction. Regional agencies also take part in the discussions as necessary.

In conjunction with a pipeline approval, the OEB may also grant authority to expropriate land, and authorize pipeline crossings of highways, utility lines and ditches.

MUNICIPAL FRANCHISE AGREEMENTS

Each municipality may grant a gas utility the right to provide gas service and use road allowances or utility easements within its borders. The specific terms and conditions of the franchise agreement require OEB approval. The Board has approved a model agreement which has been the basis for franchise agreements issued since 1987.

Natural Gas Franchise Areas



* As of January 1, 1998 Union and Centra are merged.

CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

Board approval, in the form of a certificate, is necessary to construct any works to supply gas in Ontario. Approval is granted only where public convenience and necessity support the extension of service.

STORAGE AREAS

Natural gas may be injected into a geological formation in Ontario only where the land is designated as a storage area by the LGIC. The Board recommends areas that are suitable for designation. Once the LGIC has approved designation, the Board may authorize a storage area's use. The OEB also determines the

compensation payable to the owners of land where storage pools are situated, if the parties cannot agree among themselves.

In addition, applications for drilling permits for wells within designated storage areas are referred to the Board for a report to the Minister of Natural Resources.

OWNERSHIP CHANGES

Under the legislation, a natural gas utility must obtain permission of the LGIC to sell its system or amalgamate with another company. LGIC approval is also necessary when any person wishes to acquire or hold more than 20 per cent of any class of shares. Applications for such changes in ownership of utilities must be made to the Board, for a hearing and report.

MONITORING UNDERTAKINGS

In consideration for certain approvals obtained from the LGIC, the gas utilities have provided specific undertakings. The Board is responsible for administering many of these undertakings or commitments. This role involves monitoring compliance with the terms of undertakings, approving exemptions and reporting to the Minister of Energy, Science and Technology or the LGIC.

OEB REGULATORY ACTIVITIES 1997-98

Case Type	Applications Received	Decisions*	Orders (General)*	Hearing Days*
Franchise Approvals	66	9	76	3
Certificates of Public Convenience & Necessity	12	5	17	8
Pipeline Construction	4	3	3	24
Reference from LGIC	-	1	-	-
Reference from Minister of Natural Resources	1	-	2	-
Natural Gas Rates	16	4	6	60
Pipeline Exemptions	3	-	4	-
Uniform Accounting Orders	10	-	4	-
Undertakings	8	5	-	42
Other Orders	5	1	4	11
TOTALS	125	28	116	148

* Includes cases/activities initiated this fiscal year or continued from prior years.

A DYNAMIC ENERGY MARKETPLACE

Natural gas supplies nearly one third — about 32 per cent — of Ontario's end-use energy needs. Fifty eight per cent of residential energy, 49 per cent of energy in the commercial/institutional sector and 39 per cent of the province's industrial energy requirements are provided by gas.

Electricity meets a further 18 per cent of Ontario's energy demand. Electricity drives information technology, lights and heats homes and businesses, and is an energy source for such industries as automobile manufacturing, pulp and paper and mining.

The rest of Ontario's energy needs are met by oil, coal, wood and natural gas liquids, such as propane.

NATURAL GAS SALES AND DISTRIBUTION

Ontario obtains some 93 per cent of its gas supplies from western Canada through the TransCanada PipeLines Limited (TCPL) and related systems. The province also imports about 5 per cent of its gas requirements from the United States and produces approximately 2 per cent itself.

The distribution of natural gas involves an extensive network of pipelines and storage facilities requiring substantial capital investments. A monopoly arrangement is used to avoid costly duplication of facilities.

Ontario has more than half of Canadian gas storage capacity, mostly developed from depleted natural gas fields in southwestern Ontario. Storage reservoirs are filled during the summer when demand for gas is low, and drawn down in winter when demand is high. The use of storage contributes to an efficient system with lower costs to customers.

Local Distribution Companies (LDCs)

Almost all natural gas in Ontario is distributed by three local utilities holding franchises and certificates to transport gas in specific areas of the province.

The Consumers' Gas Company Ltd. (Consumers Gas) is Ontario's largest natural gas distribution utility, serving more than 1.3 million residential, commercial and industrial customers in central and eastern Ontario — including the Greater Toronto Area, the Niagara Peninsula, Ottawa, Brockville, Peterborough, Barrie and many other communities. It also provides a wholesale service to gas distribution companies outside its franchise area. Consumers Gas is a wholly-owned subsidiary company of IPL Energy Inc. (formerly Interprovincial Pipeline System Inc.)

Union Gas Limited (Union) is the second-largest gas distributor in the province and serves more than 1 million residential, commercial and industrial customers in southwestern, northern and eastern Ontario. It also provides natural gas storage and transportation services for

The distribution of natural gas involves an extensive

network of pipelines

and storage facilities

requiring substantial

capital investments.

other utilities and energy market participants in Ontario, Quebec and the United States. The current company was formed by the amalgamation of the former Union Gas Limited and Centra Gas Ontario Inc. (Centra) on January 1, 1998 under the name Union Gas Limited. The amalgamated company is owned by Westcoast Energy Inc. References in this Annual Report to Centra or Union pertaining to dates after January 1, 1998 are to the amalgamated company.

Natural Resource Gas Limited (NRG) is a privately-owned utility serving about 4,000 customers in the Aylmer area.

The Board regulates the rates charged by these three companies. In addition, Ontario has five small gas companies that are exempt from rate regulation under the OEB Act, and two municipally-owned gas utilities that are not regulated by the Board.

Direct Purchase

Under the existing legislation, only LDCs are permitted to sell gas to end users in Ontario. In order to assist the development of a competitive natural gas market in the province, the Board has authorized purchasing options that allow gas users to obtain their gas supplies outside the province – either directly or through agents, brokers or marketers – and have them distributed by the LDC.

This year the Ontario Energy Marketers Association succeeded the former Direct Purchase Industry Committee. The association brings together representatives of agents, brokers and marketers to foster development of a more competitive market while ensuring consumer protection. The OEB has observer status in the association.

ELECTRICITY GENERATION, SALES AND DISTRIBUTION

Ontario Hydro (Hydro), a provincially owned corporation, generates and transmits most of the electricity in Ontario. Created by provincial statute in 1906, Hydro operates today under the *Power Corporation Act*.

Hydro sells power wholesale to 305 municipal utilities, who in turn serve 2,946,000 residential and business customers. Hydro also directly serves almost 1 million retail customers and 106 large industrial users.

Hydro's system includes 29,000 kilometres of transmission lines and 109,000 kilometres of distribution lines, as well as 69 hydroelectric stations, five nuclear stations and six operating fossil-fuelled stations. The demand contribution of these stations in calendar 1997 was: 48 per cent nuclear, 25 per cent hydroelectric, 17 per cent fossil and 10 per cent from other sources, such as independent power producers.

Expanded OEB Role Proposed

In November 1997 the Ontario government released a White Paper, *Direction for Change – Charting a Course for Competitive Electricity and Jobs in Ontario*, that proposes to end Ontario Hydro's monopoly in the electricity market and introduce competition for all customers

beginning in the year 2000. The paper adopts the general direction proposed by the **Advisory Committee on Competition in Ontario's Electricity System**, chaired by the Hon. Donald S. Macdonald, which reported to the government in June 1996.

The White Paper proposes to reorganize Hydro into three separate Crown corporations. One would be an Independent Market Operator, a non-profit corporation, that would act as an impartial manager of the market system and run an electricity exchange in which power is dispatched on a least-cost basis.

Two commercial electrical companies would also be formed – one to take ownership of Hydro's generation assets and sell power in competition with other generators, and another to operate Hydro's transmission facilities and other energy businesses. The government aims to separate the transmission system, which remains a natural monopoly, from the generation business, so all competitors will have an equal opportunity to sell electricity in Ontario.

Under the government's plan, which is subject to legislative approval, the Ontario Energy Board would receive an **expanded mandate** to oversee the electricity marketplace and regulate the monopoly parts of the electricity industry. The OEB would be responsible for regulating

transmission and distribution tariffs, within a framework set by the Minister, as well as for regulating investments in the expansion of the transmission grid. The government proposes to direct the Board to examine, advise on and subsequently implement a performance-based approach to regulation that promotes efficiency in the monopoly parts of the industry to the benefit of consumers.

The OEB would also ensure that local distribution companies fulfill their obligations to connect and serve their customers, and would oversee the activities of the Independent Market Operator and promote the development of competition in generation and retail services. A further Board responsibility would be to ensure the licensing of all market participants, including generators, transmitters, distributors, the Independent Market Operator, retailers and wholesalers.

Finally, the OEB would continue to regulate the natural gas business and would be responsible for the licensing of gas marketers. It would adopt compatible approaches on natural gas and electricity, particularly regarding the rules governing investment and affiliate relationships.

In line with the White Paper, the government has established a **Market Design Committee** comprised of industry and consumer representatives to shape the rules for the careful and measured transformation of the market. The OEB has observer status on this committee, which submitted its first report at the end of March 1998.

BOARD ORGANIZATION AND RESOURCES

The OEB normally has seven full-time Members including the Chair and Vice-Chair, plus four part-time Members. It is a multi-disciplinary group comprising economists, lawyers, accountants and business people with knowledge of the energy industry.

Members are appointed by the LGIC for terms of one to three years. The Board normally sits in three-member panels to hear major cases, but two Members constitute a quorum.

STAFF REORGANIZED

In 1997-98 the OEB operated with an approved complement of 41 positions, in addition to the Board Members. As well, two legal staff were permanently assigned to the OEB but considered part of the complement of the Ministry of the Attorney General.

During the year the OEB essentially completed a major staff reorganization to position the Board to meet the coming challenges and requirements in the gas and electricity industries. The OEB is now structured into two main sections – Regulatory Affairs and Corporate Services.

Regulatory Affairs is responsible for the provision of professional, technical and advisory services to the Board. It has three components:

- The **Applications/Monitoring** group processes all applications to the Board, participates in settlement negotiations and monitors the financial performance of regulated utilities. Staff manage the procedural aspects of hearings, take part in hearings through

counsel to complete the public record, advise Board members on regulatory issues and assist in drafting decisions, reports and orders.

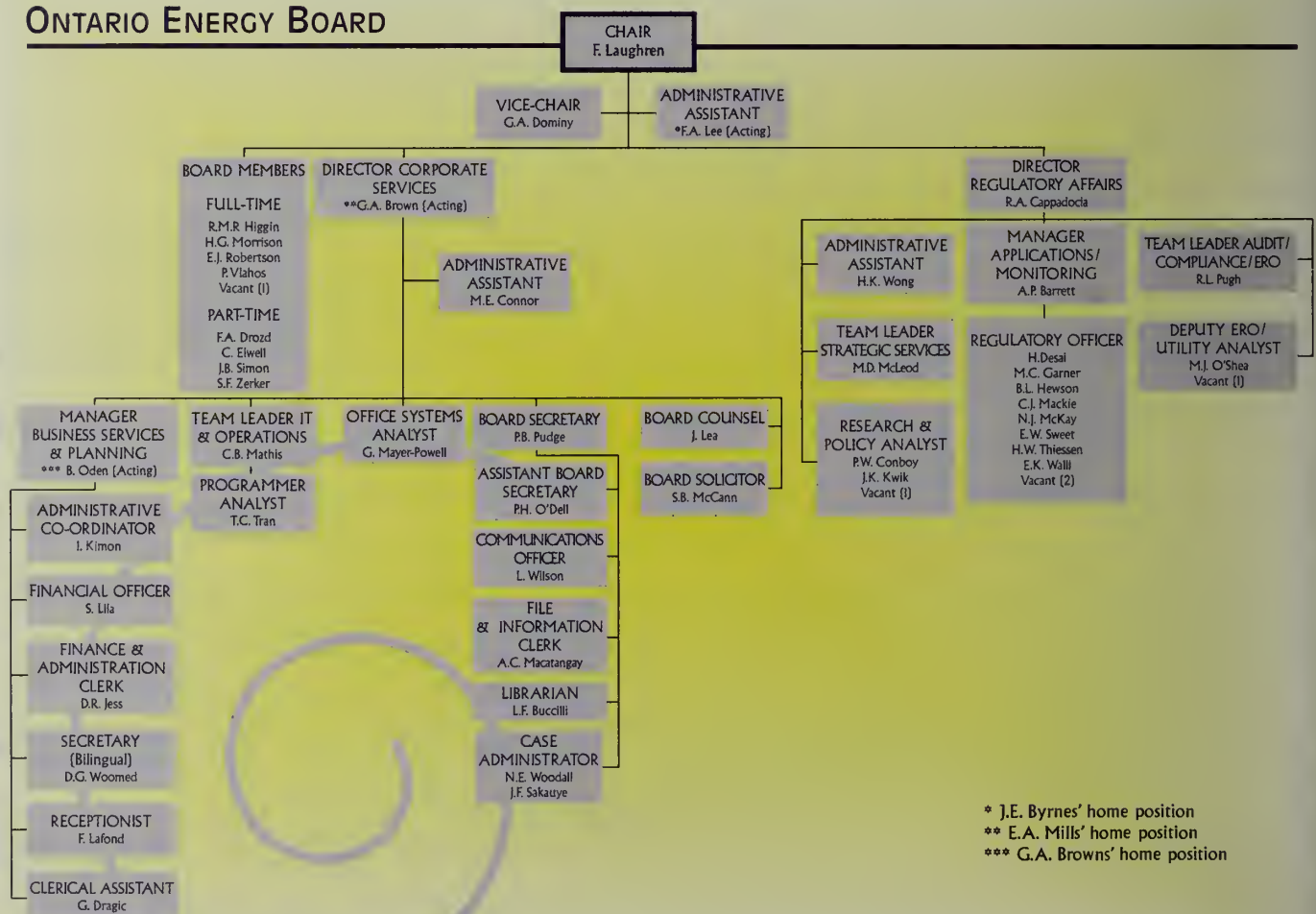
- The **Strategic Services** group develops regulatory policy options, conducts research on current and emerging issues and undertakes strategic regulatory planning. Staff maintain contact with the utilities, stakeholder groups and other regulatory and energy bodies in Canada and the United States.
- The **Audit/Compliance/Energy Returns Officer** group conducts audits, ensures gas utilities comply with Board Decisions and Orders, performs compliance monitoring of undertakings by the utilities, and monitors various aspects of the utilities' financial performance on an ongoing and confidential basis. Staff also provide accounting, financial and technical advice to the Board.

The Board is a multi-disciplinary group comprising economists, lawyers, accountants and business people with knowledge of the energy industry.

Corporate Services consolidates a range of support services to the Board:

- The Business Services and Planning group provides financial, human resources, administration and planning co-ordination services.
- Information Technology and Operations manages and delivers office automation and technology-related services including security, telecommunications support and development and maintenance of computer systems.
- The Legal Services group provides legal advice to Board Members and staff on all legal matters that arise in a hearing or that come within the jurisdiction of the Board – including regulations, contracts and litigation – as well as acting as counsel to Board staff in hearings.
- The Board Secretary's Office performs all registrar functions including making physical arrangements for hearings, maintaining public files and processing cost awards. The group also provides case administration services to assist hearing panels and Board technical staff, plus communications and library services.

ONTARIO ENERGY BOARD



* J.E. Byrnes' home position

** E.A. Mills' home position

*** G.A. Browns' home position

FINANCIAL REPORT

As a provincial agency, the Board is subject to the financial and administrative policies established by Management Board of Cabinet and the Minister of Finance. The *Ontario Energy Board Act* authorizes the Board to recover its costs by assessing costs against applicants, usually the utilities involved in hearings and related activities.

Following a hearing, the Board issues an invoice to the applicant concerned. The amount to be paid

includes the Board's out-of-pocket and direct expenses attributable to the specific hearing, as well as a contribution toward the Board's fixed costs, such as overhead and payroll. In this way, the full cost of the Board's operations is recouped annually from the natural gas companies and Ontario Hydro, with no financial burden on the Ontario taxpayers.

OEB SPENDING ANALYSIS 1997-98

Standard Account	Estimates \$	Approved Budget \$	Actual Expenditures \$
Salaries and Wages	2,851,900	2,851,900	2,462,511
Employee Benefits	556,900	556,900	751,730
Transportation & Communications	124,400	124,400	102,381
Services	2,432,700	1,232,700	755,562
Supplies & Equipment	130,100	130,100	325,045
TOTAL	6,096,000*	4,896,000	4,397,229

* Includes \$1.2 million for the Electronic Regulatory Filing initiative which was not expended in the 1997-98 fiscal year. This amount was on holdback by the Ministry of Environment and Energy and was therefore not included in the budget.

STREAMLINING THE REGULATORY PROCESS

The Board believes a successful settlement conference process results in OEB Decisions that are in the public interest and accepted by the parties, while saving time and money for all concerned.

The OEB is working to streamline the regulatory process in order to reduce costs, improve service levels and achieve operational efficiencies. The Board is moving toward more light-handed regulation as the energy marketplace becomes more competitive.

SETTLEMENT CONFERENCE GUIDELINES ISSUED

The OEB often directs the parties to a proceeding to participate in settlement conferences before the hearing to clarify information, narrow issues and as far as possible reach a consensus. Settlement agreements are filed with the Board for approval. The Board believes a successful settlement conference process results in OEB Decisions that are in the public interest and accepted by the parties, while saving time and money for all concerned.

For the guidance of all parties, the Board in late 1997 released comprehensive *Settlement Conference*

Guidelines covering such matters as the rights and obligations of participants, the responsibilities of the conference facilitator, the role of Board staff, and how the Board deals with settlement proposals. The guidelines were developed in consultation with stakeholders.

ELECTRONIC FILING GETS GO-AHEAD

The OEB is moving from a paper-based regulatory process to an electronic one. To facilitate this change, the Board has launched an Electronic Regulatory Filing (ERF) Project in conjunction with the National Energy Board and several Canadian energy companies. Under way since early 1996, the project is designed to create an electronic system linking all regulatory participants for the preparation, exchange, use and reuse of regulatory information.

During 1997-98 a second *Cost-Benefit Analysis* confirmed earlier findings that the ERF system would pay for itself within approximately three years, and a proof of concept site was developed to demonstrate some of the system's functions. These activities completed the Information Architecture Design and Development phase of the project. Based on the results, the Board — with strong industry support — decided to proceed with full implementation. The first electronic regulatory filing is targeted for 1999.

INTERVENORS AND COST AWARDS

Since the OEB's activities can affect a variety of public and special interest groups, Board proceedings attract a wide range of intervenors. The Consumers' Association of Canada, Energy Probe, Pollution Probe, the Green Energy Coalition, the Association of Municipalities of Ontario, the Ontario Association of School Business Officials, the Ontario Coalition Against Poverty, the Ontario Federation of Agriculture, the Ontario Native Alliance, the Industrial Gas Users Association and the Heating, Ventilation and Air Conditioning Contractors Coalition Inc. were among the dozens of parties to take part in OEB proceedings in 1997-98.

Like some other tribunals, the OEB has jurisdiction to make cost awards at the conclusion of a proceeding. In November 1997 the Board issued a new **Cost Eligibility Guideline**, following a review of comments on a draft proposal circulated to all regulatory participants.

The guideline stipulates that an intervenor in an OEB proceeding is eligible for a cost award where the intervenor primarily represents the direct

interests of consumers in relation to regulated services, a public interest relevant to the Board's mandate, or a significant grouping of interests relevant to the Board's mandate. In addition, the Board has discretion to find an intervenor eligible for a cost award in a particular proceeding.

The OEB invited potential participants in the cost award process in future proceedings to make submissions demonstrating their eligibility under the criteria in the guideline. The submissions were assessed and the parties notified of eligibility.

The Board continues to review its overall cost guidelines regarding the level of awards, again in consultation with participants in proceedings.

INTERVENOR COST AWARDS 1997-98*

Case Type	Proceedings (#)	Cost Orders (#)	Amount Awarded (\$)
Natural Gas Rates	7	98	2,152,395
Pipeline Construction	2	2	110,622
Other Board Orders	3	9	238,855
Hydro: Bulk Power Rates	1	11	551,871
TOTAL	13	120	3,053,743

* Refers to fiscal year in which cost award issued. Hearings occurring in one fiscal year may not have cost awards issued until a subsequent fiscal year.

MORE WRITTEN HEARINGS

The ONGA/OEB Forum, which brings together senior representatives of the Ontario Natural Gas Association and the OEB, has called for more expeditious ways of dealing with straightforward cases. For some time the OEB has routinely used written hearings, rather than more time-consuming and costly oral proceedings, in franchise renewal applications. This year the Board began testing this practice in facilities cases. Written hearings were used for a number of non-controversial applications to construct pipelines and other natural gas works.

STRATEGIC PLAN REVISED

The Board adopted a strategic plan in 1995 and has undertaken a series of initiatives set out in the plan, such as improvements to the hearing process, introduction of a performance measurement system and creation of an External Advisory Committee. This year the Board decided to review the strategic plan in light of changing circumstances. Board Members and employees participated in three strategic planning sessions, leading to the approval of a new strategic plan as well as revised vision, mission and values statements in January 1998. As the fiscal year ended, the OEB was finalizing an operational plan that will identify strategic priorities for implementation in 1998-99.

INCREASED EMPHASIS ON COMMUNICATIONS

In a rapidly changing environment, the Board recognizes the need for open and ongoing communications with stakeholders and the public. A number of steps were taken this year to improve communications with both the energy industry and the wider community.

The OEB began constructing a **Web site** on the Internet, which will eventually provide instant on-line access to significant decisions and orders as well as news releases, key speeches, publications and other documents. A readership survey was taken to assess how well the monthly newsletter, the *Regulatory Agenda*, is meeting stakeholder needs. At the same time, all OEB publications were examined to gauge their effectiveness, and all aspects of customer service – such as routing of phone calls and response times – were reviewed.

During the year the Board Chair and Members spoke at such events as the Canadian Association of Members of Public Utility Tribunals Annual Educational Conference, the Canadian Independent Power Producers Conference and Trade Show and a Canadian Institute conference on electricity competition. The Chair, Vice-Chair and a Board Member appeared before the provincial Legislature's Select Committee on Ontario Hydro Nuclear Affairs in the fall of 1997.

The OEB's External Advisory Committee continued to provide a valuable channel for two-way communication between the Board and its stakeholders on procedural and regulatory issues, outside the hearing room. The committee includes representatives of the natural gas utilities, brokers, marketers, Ontario Hydro, consumers, environmental groups and industrial energy users.

Below are highlights of some major OEB proceedings conducted during the fiscal year ending March 31, 1998.

REGULATORY AGENDA: 1997-98 HIGHLIGHTS

Below are highlights of some major OEB proceedings conducted during the fiscal year ending March 31, 1998.

REPORT ON NATURAL GAS LEGISLATIVE CHANGE

(EBO 202)

In late 1995 the OEB launched a review of the natural gas market structure after 10 years of deregulation. The process began with two stakeholder workshops and continued with a Board Report in September 1996 followed by creation of a stakeholder Working Group that reported in May 1997.

When advised in mid-1997 that the ministry would be assisted by the OEB's views on changes to the *Ontario Energy Board Act*, the Board decided to develop proposals for amendments to pave the way for further deregulation of gas supply-related services, while ensuring protection of Ontario gas consumers and the public interest. A consultation process on legislative changes was held with key stakeholders during August 1997.

In December 1997 the Board issued an *Advisory Report to the Minister of Energy, Science and Technology on Legislative Change Requirements for Natural Gas Deregulation*. The report reaffirmed the Board's view that the legislative restrictions on end-use gas sales should be removed to allow unregulated gas sales by non-LDC suppliers anywhere in the province. The Board believes that removal of the barriers to gas title transfers will facilitate a move to full retail access and competition in the Ontario natural gas market. The Board also concluded that the public

interest would best be served by a managed process to encourage market restructuring while protecting gas customers during the transition.

The Board found that to achieve such protection an industry Self-Management Organization (SMO) operating under administrative agreements with the OEB and the Ministry of Consumer and Commercial Relations should be established. The Board would licence agents, brokers and marketers and the SMO could administer the licences. Other key features of the transition include continued regulation of the monopoly storage, transmission and distribution function of the LDCs as well as improving the level of customer information about the deregulated market.

The Board also proposed the replacement of the regulated system gas supply with a regulated standard LDC gas service. This standard supply offering would be maintained by the LDCs until the Board finds that market conditions, including consumer awareness, competition and industry self-management, have developed to the point where a regulated option is no longer needed.

The Board believes that removal of the barriers to gas title transfers will facilitate a move to full retail access and competition in the Ontario natural gas market.

Another recommendation in the Report was creation of a Market Design Task Force made up of affected stakeholders to develop appropriate structures for full and effective commodity retail competition. The Board was in the process of establishing the Market Design Task Force as the fiscal year ended.

CONSUMERS GAS/ CENTRA/UNION: CODE OF CONDUCT

(EBRO 492-03/493-03/494-04)

During the 10-Year Market Review, some participants expressed concern that LDC marketing affiliates established to provide direct purchase options might gain preferential access to monopoly services and customer information. The Board requested the Market Review Working Group to make recommendations in its report for a Code of Conduct to govern the relationship of the utilities with both affiliate and independent gas marketers, to ensure a level playing field in the evolving deregulated gas commodity market.

However, in late March 1997 Consumers Gas indicated that its new marketing affiliate, Consumersfirst, would be in operation when agency billing and collection (ABC) T-service commenced in May 1997. ABC T-service is a new direct purchase option approved by the Board which enables brokers to put their customers' gas supply costs on the utility bill by payment of a fee to the utility.

The entry of Consumers first precipitated the need for a Code of Conduct. The Board therefore directed Consumers Gas to submit a draft Code by April 18 and also directed Union and Centra to submit such a Code prior to the start-up of ABC T-service in their franchise areas. Consumers Gas and Union/Centra worked with the Market Review participants and submitted essentially the same draft Code, which the Board decided to review through a joint proceeding.

In a Decision with Reasons issued on May 15, 1997, the Board reviewed parties' suggestions for an interim Code to allow ABC T-service to go ahead. The Board made a number of revisions to the draft and accepted the revised version as an Interim LDC Code of Conduct. The utilities were directed to comply with the Interim Code as a condition of providing ABC T-service.

The Board disagreed with the utilities' characterization of the Code as voluntary. Rather, the Board considered the Code to be a compilation of a number of mandatory requirements stemming from the legislation and Undertakings and meeting public interest requirements for the operation of franchised gas monopoly services.

To correct customer confusion, the Board required the use of a disclaimer in all advertising and other representations about ABC T-service, to indicate that

the price of gas under this service is not regulated by the OEB. The Board also directed the LDCs to implement a corrective customer information program to make clear that agents, brokers and marketers (ABMs), including affiliates offering direct purchase options, are not subject to the OEB's control or oversight.

In addition, the Board found that the LDC Code of Conduct should include an additional standard on Relationship Marketing and Advertising to be developed by the utilities in conjunction with the ABMs and the Working Group. The new standard should address how both independent and affiliate gas marketers utilizing ABC T-service may represent their relationship with the utility, to provide customers with greater clarity concerning the respective roles of the regulated utility and the unregulated ABMs.

NATURAL GAS SYSTEM EXPANSION

(EBO 188)

In 1995 the Board, on its own motion, issued a Notice of Public Hearing into matters related to natural gas system expansion. Following a settlement conference and a review of written submissions, the Board released an Interim Report in August 1996 containing decisions on issues of principle and directing the gas utilities to file draft guidelines and policies reflecting its findings. The utilities filed a common submission in September and various parties responded. A second settlement conference in early 1997 led to a settlement agreement subscribed to by the utilities and some parties and a dissenting document prepared by other parties.

The Board in its Final Report in January 1998 issued *Guidelines for Assessing and Reporting on Natural Gas Distribution System Expansion in Ontario*. The Guidelines set out the economic feasibility, monitoring and environmental requirements for expansion projects. They provide a common analysis and reporting framework to be applied by regulated Ontario LDCs – specifically Consumers Gas and Union Gas Limited.

The main change from prior policy and practice is the use of a portfolio approach, as opposed to a project-by-project approach, to the planning, analysis, management and reporting of distribution expansion projects. The intent of the portfolio approach is to provide the utilities a greater degree of flexibility in determining which projects to undertake, while the Board retains overall regulatory control to ensure no undue cross-subsidy or rate impacts result from distribution system expansion.

CONSUMERS GAS: MAIN RATES FISCAL 1998

(EBRO 495)

In August 1997 the OEB issued Reasons for Decision on Consumers Gas' rates application for fiscal 1998, beginning October 1, 1997. The company claimed an overall revenue deficiency of \$60.7 million, adjusted to \$58.6 million to reflect the results of the settlement proposal. The Board found an overall revenue deficiency of \$20 million, to be recovered from customers through revised rates.

About \$22.6 million of the \$38.6 million reduction in the claimed revenue deficiency was due to the Board's finding that a fair rate of return on common equity was 10.3 per cent, rather than 11.5 per cent sought by the company. This level of return was derived from applying for the first time the Board's *Draft Guidelines on a Formula-Based Return on Common Equity for Regulated Utilities*, which use the equity risk premium method for determining the fair rate of return. The risk premium reflects the utility's risk relative to the long Canada bond yield.

Of the remaining \$16 million reduction in the claimed revenue

deficiency, \$7.7 million related to a global decrease in the company's forecast operating and maintenance expenses. The Board made specific suggestions for the Company to consider in reaching this overall budget reduction target. Other adjustments to claimed revenue deficiency include the reduction of costs resulting from transactions between the Company and its affiliates and imputed revenue arising from the Board's adoption of full costing rather than marginal costing for the company's ancillary services.

CENTRA/UNION: RATE ADJUSTMENTS

(EBRO 493-04/494-06)

In October 1997 Union and Centra requested approval of rate increases to reflect updated gas cost and transportation toll forecasts and the disposition of forecast balances in Union's Purchased Gas Variance Account and Centra's gas-cost-related deferral accounts. Union also sought changes to delivery rates to reflect load balancing costs and the implications of changes to the buy/sell reference price as directed by the Board in the last main rates proceeding (EBRO 493/494).

In November 1997 the Industrial Gas Users Association (IGUA) requested the OEB to make interim changes to the equity return component of the currently approved rates for Union and Centra by applying the adjustment mechanism in the Board's *Draft Guidelines on a Formula-Based Return on Common Equity for Regulated Utilities*. The Guidelines had been used by the Board in determining the common equity component of the rates for Consumers Gas in its most recent rates case (EBRO 495).

In making this request, IGUA noted its understanding that Union and Centra did not intend to file revised rates for 1998.

During the hearing in December 1997 the Board issued an Oral Decision approving interim gas cost changes as proposed by Union and Centra, effective January 1, 1998. The Board then proceeded to hear submissions on changing the return on equity for both utilities and on the load balancing and related issues.

The utilities filed information applying the adjustment mechanism in the Guidelines and agreed with the incorporation of the results in the final Rate Order in the current proceedings, if the Board deemed that appropriate. The resulting projected return on equity was 10.44 per cent for Union compared with 11 per cent in the EBRO 493/494 Decision, and 10.69 per cent for Centra compared with 11.25 per cent in the earlier proceeding. No party opposed the utilities' proposals.

In a Decision with Reasons in February 1998, the Board found that the changes to the respective returns on equity were appropriate and ordered the resulting rate changes to be effective January 1, 1998. The Board also dealt with Union's delivery rate proposals and other issues raised by the applications. The utilities were directed to prepare final rate schedules reflecting the Board's findings, to take effect January 1, 1998. [Although Union and Centra merged on January 1, 1998, their rate structures remained separate.]

UNION: VARY ORDER (CITY OF KITCHENER)

(EBRO 494-05/EBO 177-09)

In July 1997 the City of Kitchener (City) filed a motion to vary the Board's EBRO 494/EBO 177-09 rate order for Union's 1997 test year as it relates to the M9 rate class. The City is one of the two customers in this rate class.

The Board reviewed both its Decision and the Rate Order and did not find an inconsistency between them of the nature alleged by the City. The Board was of the view that the rate set in the Order for M9 customers was within the range of just and reasonable rates that could be set based on the evidence adduced in the hearing and the Board's findings in the Decision. Accordingly, the Board informed the City in September 1997 that it declined to hear the motion.

The City applied for leave to appeal to the Ontario Divisional Court (General Division) in December 1997 and the Court granted leave in February 1998.

UNION/CENTRA: AFFILIATE TRANSACTIONS

CUSTOMER INFORMATION SERVICES

(EBO 177-15)

In September 1997 the Board received an application from Centra and Union under their Undertakings with the LGIC for approval of affiliate transactions related to the purchase of Customer Information System (CIS) services. The utilities proposed to purchase CIS services from a non-subsiary affiliate, Union Energy Inc. (UEI) CIS Division, pursuant to a five-year contract commencing in 1998.

The Board was satisfied that the Companies had provided a persuasive rationale for replacement of their existing CIS systems as well as for the decision to purchase CIS services as opposed to developing systems in-house. The Board accepted the outsourcing of CIS services to an affiliate, noting that there were currently no third party service providers offering the software package selected. The Board's approval was subject to certain conditions including annual approval of specific payments and monitoring and reporting requirements. The Board also

approved the provision of administrative services by Union to the UEI CIS Division, also subject to certain conditions.

SEPARATION OF ANCILLARY BUSINESSES

(EBO 177-17)

In a further application dated October 1997 under the Undertakings, Union and Centra proposed to transfer to UEI their ancillary equipment rental, merchandise sales and financing businesses. The Board completed the hearing in March 1998 and a decision was pending at year end.

CENTRA: FRANCHISE RENEWALS – ORILLIA, GRAVENHURST, SEVERN, BRACEBRIDGE

(EBA 767/768/769/783)

In fall 1996 Centra applied to the Board for franchise renewals for the City of Orillia, the Town of Gravenhurst, the Township of Severn and the Township of Bracebridge. Centra and the municipalities consented to a written hearing process.

Centra proposed to use the Model Gas Franchise Agreement, which has formed the basis of franchise agreements since 1987, with no changes. The municipalities sought to amend the Model Agreement so they could charge a permit fee for plan review and site inspection when Centra undertakes construction work on municipal highways. The municipalities noted that the *Savings and Restructuring Act*, which took effect in January 1996, gave municipalities the

right, with certain restrictions, to enact bylaws imposing user fees.

In its Decision with Reasons in March 1998, the Board indicated it was not persuaded that the new statutory provision precluded the prohibition of such fees in a franchise agreement. The new provision does not require municipalities to charge fees; it merely allows them to do so.

The Board continues to accept that there are great advantages to the uniform application of a Model Agreement to all municipal franchises relating to the provision of natural gas. Uniform conditions for all municipalities prevent unfairness. To require a utility to pay user fees in some municipalities and not in others would result in cross-subsidies under the current rate structure. Nor did the Board believe that the resulting costs to ratepayers would be insignificant. Accordingly, the Board found that the franchise agreements should be in the model form, without the requested amendments.

The Board observed that the political and financial climate in which municipalities operate may well have changed from that prevailing when the Model Agreement was drafted. The Board therefore directed Board Staff to consult with the utilities, municipalities and other interested parties as to the timing, potential issues and format for a generic proceeding to review the Model Franchise Agreement.

UNION: SOMBRA POOL RESIDUAL GAS COMPENSATION

(EBO 184)

In May 1997 the Board issued Decisions with Reasons – Phase II regarding the compensation to be paid by Union to landowners in the Sombra Pool for residual gas remaining underground when gas was first injected in 1990. Sombra Pool is a designated gas storage area in Lambton County. In the Phase I Decision with Reasons in September 1995, the OEB found that there was no enforceable agreement among the parties as to compensation and the Board would therefore proceed to determine the matter. Following a settlement process, a hearing was held in March 1997.

In its ruling the Board concluded that compensation for the residual gas should be made on the basis of a royalty, in line with Ontario precedent. The Board found that the appropriate royalty rate was 6¼ per cent of the market price of gas, to be applied to the agreed volumes. The Board also ordered payment of interest calculated in accordance with the settlement agreement.

CANENERCO: STORAGE RIGHTS AND PIPELINE CONSTRUCTION

(EBO 201/EBLO 263)

CanEnerco Limited produces oil and gas from seven pools in southwestern Ontario and sells gas to marketers at points outside the province. In June 1997 the Company applied to the Board for authorization to inject, store and remove gas from the Chatham 7-17-XII Pool. It also sought leave to construct 5.8 km of NPS 10 (nominal pipe size 10" diameter) pipeline to connect the pool to Union's transmission system, and to construct gathering lines and other facilities. CanEnerco indicated that it intended to use the Chatham Pool as a seasonal storage facility for its own gas and had no plans to offer storage services to third parties.

In its Decision with Reasons in February 1998, the Board granted the requested storage rights for an initial term of five years, subject to certain conditions. The Board believed this Decision represented a fair balance between CanEnerco's current business plans and the need to safeguard the public interest over the long run.

The Board noted that geological formations suitable for gas storage are a provincial resource that require protection and assurance they are being used in the public interest. The Board believed it was consistent with provincial policy to ensure that, if the Chatham Pool should be needed to provide storage services for the Ontario market in the future, it can be made available for this purpose. When applying for renewal or extension of the term, CanEnerco will be expected to show that continued use of the pool to store its own gas is in the public interest.

The Board granted the storage rights despite the fact that it was unable to assess the profitability of the seasonal operation, noting that the economic risk of the project falls entirely on the Company's owners and does not affect utility ratepayers. The Board denied the request for leave to construct the NPS 10 line, as CanEnerco's discussions with Union on the proposed interconnection to Union's transmission system were only in the preliminary stages and questions regarding the route were unresolved. The Board did, however, grant leave to construct the gathering lines, subject to conditions, to permit the pool to be used as a storage facility.

LIST OF PROCEEDINGS

The following is a tabular listing of all proceedings arising from applications and references received or initiated by the Board during the fiscal year ended March 31, 1998. Also listed are proceedings arising in earlier years and dealt with by the Board in the 1997-98 fiscal year.

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION	DECISION/ORDER ISSUED
Natural Gas Rates Applications				
EBRO	491-01	NRG	Amendments to Rate 3 Schedule	May 22, 1997
EBRO	492-03/493-03/ 494-04	Consumers Gas/ Centra/Union	Market Review and LDC Code of Conduct	May 15, 1997
EBRO	493-04/494-06	Union	Gas cost motions	Partial - December 9, 1997/ Final - February 10, 1998
EBRO	493-05/494-07	Union	Quarterly Rate Adjustment	In progress
EBRO	494-03	Union	Motion to reopen hearing respecting storage contracting	September 26, 1997
EBRO	494-05	Union	Motion by City of Kitchener to vary the Board's final Rate Order	September 23, 1997
EBRO	494-08	Union	Rates associated with transmission and storage of gas for M12 customers	In progress
EBRO	495	Consumers Gas	Main Rates Fiscal 1998	August 21, 1997
EBRO	496	NRG	Main Rates Fiscal 1998 & 1999	In progress
EBRO	496-01	NRG	Main Rates Fiscal 1998 & 1999 - Interim	September 26, 1997
EBRO	497	Consumers Gas	Main Rates Fiscal 1999	In progress
EBRO	497-01	Consumers Gas	Incentive mechanisms in relation to O&M and DSM	In progress
Pipeline Construction				
EBLO	258	Consumers Gas	Black Creek and Coveny Pools	June 19, 1997
EBLO	259	Union	Village of Wiarton, Town of Southampton, Township of Saugeen	April 30, 1997
EBLO	260	Consumers Gas	Perth Reinforcement Project	July 16, 1997

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION	DECISION/ORDER ISSUED
EBLO	261	Consumers Gas	Township of Clearview	July 4, 1997
EBLO	262	Consumers Gas	East Valley Reinforcement Project	September 30, 1997
EBLO	263	CanEnerco Ltd.	Chatham 7-17-XII Pool	February 4, 1998
EBLO	264	Union	Lennox Project	In progress
EBLO	265	Union	Townships of Opasatika, Cargill and Cumming	In progress
Franchise Renewals				
EBA	764	Consumers Gas	City of Brockville	July 25, 1997
EBA	767	Centra	City of Orillia	March 31, 1998
EBA	767-01	Centra	City of Orillia	June 25, 1997
EBA	768	Centra	Town of Gravenhurst	March 31, 1998
EBA	768-01	Centra	Town of Gravenhurst	June 25, 1997
EBA	769	Centra	Township of Severn	March 31, 1998
EBA	769-01	Centra	Township of Severn	June 25, 1997
EBA	770	Centra	Township of Oro-Medonte	November 3, 1997
EBA	770-01	Centra	Township of Oro-Medonte	June 25, 1997
EBA	782	Consumers Gas	Township of King	April 14, 1997
EBA	783	Centra	Town of Bracebridge	March 31, 1998
EBA	783-01	Centra	Town of Bracebridge	June 25, 1997
EBA	784	Consumers Gas	Town of Collingwood	May 26, 1997
EBA	786	Union	Township of Blandford-Blenheim	May 28, 1997
EBA	787	Consumers Gas	Town of Hawkesbury	April 23, 1997
EBA	789	Centra	Town of Vankleek Hill	October 21, 1997
EBA	789-01	Centra	Town of Vankleek Hill	April 23, 1997
EBA	790	Centra	Township of Lochiel	September 5, 1997
EBA	791	Centra	Town of Longueuil	In progress
EBA	791-01	Centra	Town of Longueuil	October 6, 1997

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION	DECISION/ORDER ISSUED
EBA	792	Centra	Town of McNab	September 25, 1997
EBA	793	Centra	Township of Ross	September 25, 1997
EBA	795	Consumers Gas	Town of Aurora	October 31, 1997
EBA	795-01	Consumers Gas	Town of Aurora	April 23, 1997
EBA	796	Consumers Gas	Township of Lancaster	July 8, 1997
EBA	797	Consumers Gas	Township of Horton	July 8, 1997
EBA	798	Consumers Gas	Township of Kenyon	June 13, 1997
EBA	799	Consumers Gas	Township of Stafford and Pembroke	June 13, 1997
EBA	800	Consumers Gas	Township of Front of Leeds and Lansdowne	November 3, 1997
EBA	801	Consumers Gas	Township of South Elmsley	July 8, 1997
EBA	802	Consumers Gas	Town of Perth	August 12, 1997
EBA	803	Centra	Village of Cardinal	September 29, 1997
EBA	804	Centra	Town of Dryden	November 12, 1997
EBA	805	Centra	Township of Thurlow	September 25, 1997
EBA	806	Centra	County of Prince Edward	October 16, 1997
EBA	807	Union	City of Owen Sound	October 21, 1997
EBA	808	Union	Township of West Hawkesbury	October 20, 1997
EBA	809	Consumers Gas	Township of Oro-Medonte	November 24, 1997
EBA	810	Consumers Gas	Township of Montague	November 24, 1997
EBA	811	Consumers Gas	Town of Midland	December 5, 1997
EBA	812	Consumers Gas	Town of East Gwillimbury	October 21, 1997
EBA	813	Consumers Gas	Township of Tay	December 5, 1997
EBA	814	Consumers Gas	Township of Kitley	December 5, 1997
EBA	815	Consumers Gas	Township of Tiny	December 5, 1997
EBA	816	Consumers Gas	Town of Arnprior	December 12, 1997
EBA	817	Consumers Gas	Township of Elizabethtown	December 5, 1997
EBA	819	Consumers Gas	Township of Ramsay	December 5, 1997

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION	DECISION/ORDER ISSUED
EBA	820	Consumers Gas	Township of Springwater	January 23, 1998
EBA	821	Consumers Gas	Township of Smiths Falls	March 4, 1998
EBA	822	Consumers Gas	Township of North Elmsley	March 26, 1998
EBA	823	Consumers Gas	Township of Goulbourn	January 23, 1998
EBA	824	Consumers Gas	Town of New Tecumseth	December 12, 1997
EBA	825	Centra	Township of Pittsburgh	In progress
EBA	825-01	Centra	Township of Pittsburgh	September 9, 1997
EBA	826	Union	Township of St. Vincent	January 15, 1998
EBA	827	Consumers Gas	Town of Georgina	In progress
EBA	827-01	Consumers Gas	Town of Georgina	September 16, 1997
EBA	828	Consumers Gas	Township of West Carleton	March 20, 1998
EBA	829	Consumers Gas	Town of Whitchurch-Stouffville	In progress
EBA	829-01	Consumers Gas	Town of Whitchurch-Stouffville	September 19, 1997
EBA	830	Centra	Township of Cornwall	In progress
EBA	830-01	Centra	Township of Cornwall	October 6, 1997
EBA	831	Consumers Gas	Town of Lindsay	March 31, 1998
EBA	831-01	Consumers Gas	Town of Lindsay	September 19, 1997
EBA	832	Consumers Gas	Township of Drummond	March 26, 1998
EBA	833	Union	City of Sarnia	In progress
EBA	834	Consumers Gas	Township of Beckwith	January 23, 1998
EBA	835	Union	Town of Greater Napanee	In progress
EBA	836	Consumers Gas	Town of Almonte	March 13, 1998
EBA	836-01	Consumers Gas	Town of Almonte	October 3, 1997
EBA	837	Consumers Gas	Township of Charlottenburgh	December 30, 1997
EBA	838	Consumers Gas	City of Kanata	January 8, 1998
EBA	839	Consumers Gas	Township of Severn	In progress
EBA	839-01	Consumers Gas	Township of Severn	January 19, 1998
EBA	840	Consumers Gas	Town of Carleton Place	In progress

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION	DECISION/ORDER ISSUED
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EBA	840-01	Consumers Gas	Town of Carleton Place	January 7, 1998
EBA	847	Consumers Gas	Township of Innisfil	In progress
EBA	847-01	Consumers Gas	Township of Innisfil	January 7, 1998
EBA	848	Consumers Gas	Township of Ops	In progress
EBA	848-01	Consumers Gas	Township of Ops	March 2, 1998
EBA	849	Consumers Gas	Township of Clarington	In progress
EBA	849-01	Consumers Gas	Township of Clarington	March 2, 1998
EBA	850	Union	Townships of Casmir, Jennings and Appleby	In progress
EBA	851	Consumers Gas	Township of Manvers	In progress
EBA	852	Consumers Gas	Township of North Glengarry	In progress
EBA	853	Consumers Gas	Township of Percy	In progress

Certificate and New Franchise Applications

EBC	248/EBA 750	Northern Cross Pipelines	Township of Ashfield	Closed
EBC	250/EBA 751	Northern Cross Pipelines	Township of West Wawanosh	Closed
EBC	253/EBA 754	Centra	Village of Finch	April 18, 1997
EBC	254/EBA 755	Centra	Township of Finch	May 2, 1997
EBC	256/EBA 772	Union	Town of Port Elgin	April 30, 1997
EBC	257/EBA 773	Union	Town of Southampton	April 30, 1997
EBC	258/EBA 774	Union	Town of Wiarton	April 30, 1997
EBC	259/EBA 775	Union	Village of Tara	April 30, 1997
EBC	260/EBA 776	Union	Village of Shallow Lake	April 30, 1997
EBC	261/EBA 777	Union	Village of Hepworth	April 30, 1997
EBC	262/EBA 778	Union	Township of Arran	April 30, 1997
EBC	263/EBA 779	Union	Township of Saugeen	April 30, 1997
EBC	264/EBA 780	Union	Township of Amabel	April 30, 1997

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION	DECISION/ORDER ISSUED
EBC	265/EBA 781	Union	Township of Keppel	April 30, 1997
EBC	266/EBA 785	Consumers Gas	Township of Clearview	July 4, 1997
EBC	268/EBA 788	Centra	Township of Barclay	July 28, 1998
EBC	269/EBA 794	Centra	Township of Mountain	August 20, 1997
EBC	271/EBA 818	Consumers Gas	Village of Athens	January 20, 1998
EBC	272/EBA 841	Consumers Gas	Village of Chalk River	In progress
Certificate of Public Convenience and Necessity				
EBC	223	Consumers Gas	Township of East Garafraxa	September 2, 1997
EBC	267	Centra	Township of Zealand	July 28, 1997
EBC	270	Consumers Gas	Township of the Rear of Yonge and Escott	January 20, 1998
EBC	277	Potter Station	Unorganized Township of Stoddart	In progress
EBC	278	Union	Township of Opatatika	In progress
EBC	279	Union	Townships of Cargill and Cumming	In progress
Pipeline Exemptions				
PL	98	Consumers Gas	Community of Carp	August 13, 1997
PL	99	Union	Learnington North Reinforcement Project	July 25, 1997
PL	100	Union	London South Reinforcement Project	September 12, 1997
PL	101	Union	Nanticoke Area Reinforcement Project	January 27, 1998
Uniform Accounting Orders				
UA	106-01	Union	High Temp Plastic Vents (supplemental)	August 28, 1997
UA	109	NRG	Consultants for long term financing strategy report	September 8, 1997
UA	110	Union/Centra	One time costs associated with amalgamation of Centra & Union	July 16, 1997

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION	DECISION/ORDER ISSUED
UA	111	Consumers Gas	Comprehensive Customer Information Plan	September 11, 1997
UA	112	Centra	CIP deferral account	In progress
UA	113	Centra	Incremental costs associated with the Ten Year Market Review	July 17, 1997
UA	114	Union	Energy balancing option to large industrial customers	November 18, 1997
UA	115	Union	Market based rates for long term storage	In progress
UA	116	Consumers Gas	Heating Value Differential Account	In progress
UA	117	Consumers Gas	Union Gas Deferral Account	In progress
UA	118	Consumers Gas	Costs associated with unbundling	In progress
UA	119	Consumers Gas	Increase in municipal taxes as a result of Bills 106/149	In progress
UA	120	Union	Costs associated with municipal tax increases as a result of Bills 106/149	In progress
UA	121	Consumers Gas	Incremental costs associated with remediating Year 2000 system implications	In progress

Approvals Under Current Undertakings

EBO	177-11	Union	Acquisition of CIS Services from Westcoast	April 3, 1997
EBO	177-12	Union	Transfer of Westcoast Energy Inc. Part V.I tax liability for 1997 Tax Year	June 11, 1997
EBO	177-13	Union	Purchase of firm delivery gas from Engage Energy	April 28, 1997
EBO	177-14	Union	Windup of Union's investment in Mercap Insurance Limited	August 29, 1997
EBO	177-15	Union	Provision of Customer Information Services	December 24, 1997
EBO	177-16	Union	Investment in Ford Cogeneration Project	September 29, 1997
EBO	177-17	Union	Transfer of ancillary services	In progress

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION	DECISION/ORDER ISSUED
EBO	179-10	Consumers Gas	IPL Technology and Consulting Services - computer based training	November 13, 1997
EBO	179-11	Consumers Gas	Joint venture with TransAlta Energy	February 26, 1997
EBO	179-12	Consumers Gas	To provide engineering and market analysis to CGEI	July 18, 1997
EBO	179-13	Consumers Gas	To provide support to CGEI for natural gas distribution in the Maritimes	October 27, 1997
EBO	179-14	Consumers Gas	Transfer of CIS to an affiliate	In progress
EBO	179-15	Consumers Gas	Transfer of certain businesses and activities to an affiliate	In progress
Other Matters				
EBA	717	Metalore Resources Limited	Limited Franchise Approval - Norfolk County	Closed
EBO	184	Landowners	Sombra Pool	May 22, 1997
EBO	188	Ontario Energy Board	System Expansion	Aug.15, 1996 - Interim/Final - January 30, 1998
EBO	196	Consumers Gas	Black Creek and Coveny Pools	June 19, 1997
EBO	197	Consumers Gas	Black Creek and Coveny Pools	June 19, 1997
EBO	198	Consumers Gas	Black Creek and Coveny Pools	June 19, 1997
EBO	200	Union	Off Peak Storage - St. Clair Pipelines	May 30, 1997
EBO	201	CanEnerco Ltd.	Inject., store, remove Gas from Chatham 7-17-XII Pool	February 4, 1998
EBO	202	_____	Legislative Change for Natural Gas Deregulation	December 16, 1997
EBO	203	Consumers Gas	Agreement with Centra for storage, compression and transmission services	October 1, 1997
EBO	204	Union	Off peak storage agreement with Engage Energy	In progress
EBRM	108	Consumers Gas	Black Creek and Coveny Pools	June 19, 1997
EBRM	109	CanEnerco Ltd.	Drilling Permits Chatham 7-17-XII Pool	February 4, 1998

GLOSSARY OF TERMS

Agency Billing and Collection (ABC) T-Service

A service that enables natural gas brokers to bill their customers through the LDC for gas supplies purchased directly from producers. The name of the broker and the gas supply charges appear on the customer's monthly utility bill, and the LDC collects the gas supply charges on behalf of the broker for a fee. The price the customer pays for gas is not regulated by the OEB.

Bulk Power Rates

The wholesale rates that Ontario Hydro charges municipal utilities and direct industrial customers.

Buy/Sell

An arrangement under which end-users or their agents buy gas directly from producers, sell the gas to the local utility for transportation to a site served by the utility's distribution network, and then buy gas upon delivery at the regular retail rate.

Buy/Sell Reference Price

The price, approved by the OEB, which an LDC pays for a direct-purchase customer's gas supplies. The reference price is based on the utility's weighted average cost of gas. The gas becomes part of the utility's system supplies and the customer pays the LDC's regular retail rate, which includes transportation costs, for gas consumed at the burner tip. Buy/sell customers benefit when they or their agents are able to purchase gas supplies from producers at a lower cost than the utility's buy/sell reference price. The customer usually receives a rebate, generally representing a portion of the difference between the price paid to the producer and the buy-sell reference price paid by the LDC.

LDC

Local distribution company.

Non-Subsidiary Affiliate

A subsidiary of the parent company of a utility, but not of the utility itself.

PGVA

The Purchased Gas Variance Account maintained by a utility to track the difference between the forecast and actual cost of gas.

Rate Base

The amount that a utility has invested in fixed assets that are used or are useful in providing service, net of accumulated depreciation, plus an allowance for working capital and any other items which the Board may determine.

Rate of Return on Common Equity

Utility income applicable to the common equity component of a utility's total capital, that a utility earns or is authorized to earn, expressed as a percentage of the amount of common equity approved for inclusion in the utility's capital structure.

Revenue Deficiency

The shortfall between the revenues required to achieve the allowed annual level of earnings previously established by the Board and the revenues that will be produced with currently approved rates.

Revenue Excess (or Revenue Surplus)

The difference, if positive, between the annual level of earnings that will be produced with currently approved rates, and the allowed level of earnings established by the Board.

Revenue Requirement

The amount of revenue that a utility must recover through rates to cover its costs of providing service. The costs include such items as: operating and maintenance expenses, depreciation, taxes and the return on capital employed.

